

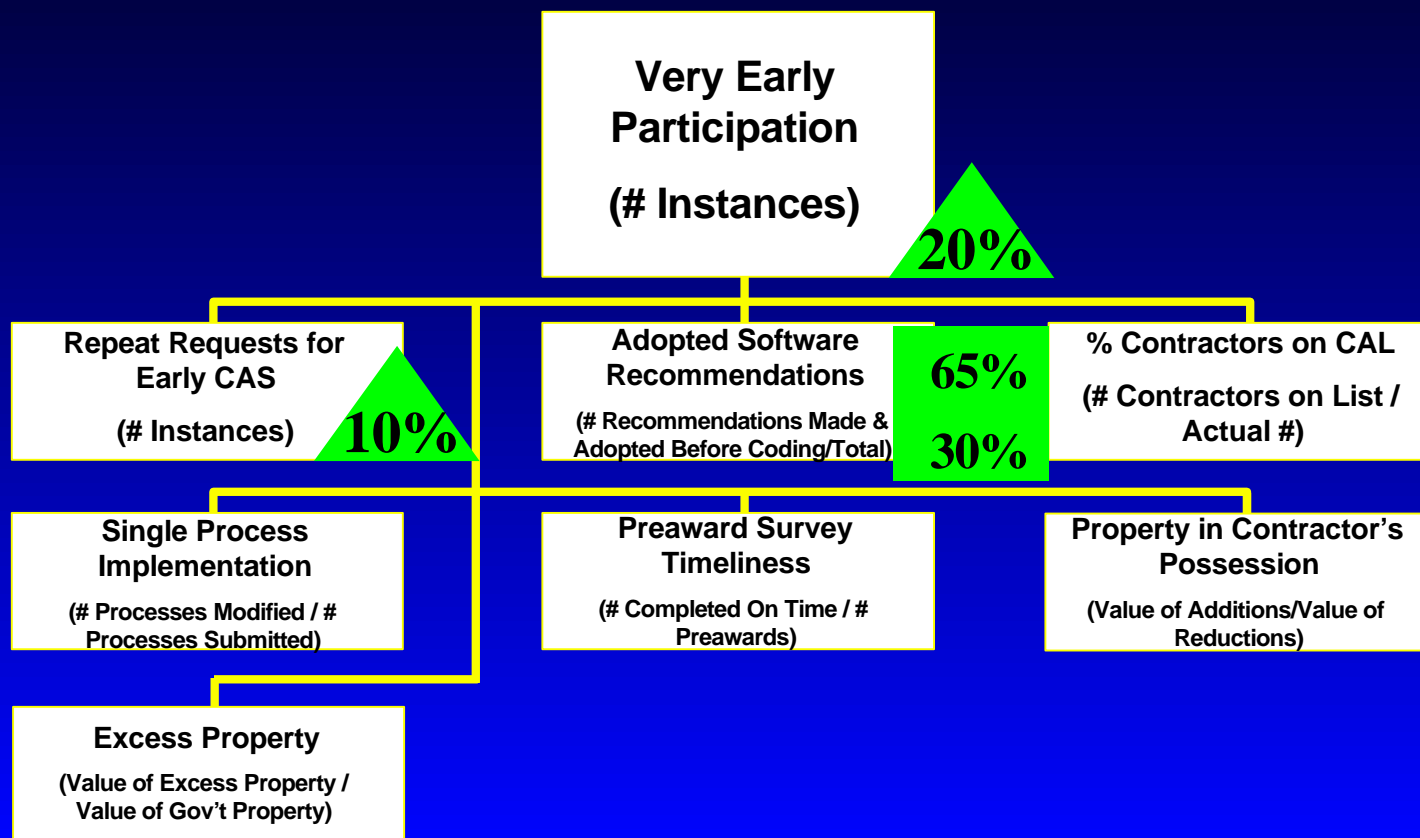


Right Advice

**The following slides
were shown at the
DCMC Commander's Conference
during November 12-14, 1996**



Right Advice Is It On Point?





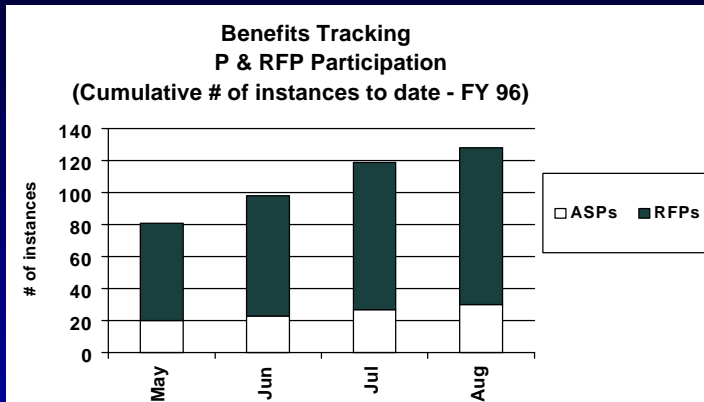
Right Advice Targets of Influence

- **Contractors**
 - Find the true motivators for performance
- **PMs/PCOs & IMs/PCOs**
 - Show them what value you can add
 - Help them make better contracts
- **Policy Making Activities**
 - Acceptance of DCMC as the single on-site systems reviewer or manager



Right Advice...

(Very) Early CAS



- Based on numbers, doing extremely well
- Customer acceptance growing
- Still room for qualitative improvement

- More is better in every case
- Pick the leverage points (opportunities) to maximize your influence

- Lessons Learned Improvement Plan
- Early CAS CAO Consortia

See Next



Right Advice... Software Recommendations Adopted

New Metric

- Too early to analyze/identify data trend(s) - collection started Oct 96
- Plan of action dependent on results gathered over time (throughout software life cycle) and contractor input

- New metric - will take time to populate with reasonable level of confidence
- 38 CAOs reporting currently
- Experiencing normal growing pains
- Promote SCEs
- Use SPECs
- Push training (SPDP)



Contractor Alert List

- **Revised Policy DCMC Memo 96-63**
 - **New guidance**
 - **Less ambiguity**
- **Revised Criteria / Metrics**
 - **Old criteria:**
 - **Ktr issued Level III & IV CAR**
 - **Ktr issued five PQDRs within 24-month period**
 - **Problems in general that raise doubt**
 - **Systemic problems (Quality Alert Reports, etc.)**



Right Price...

Plant Clearance

ROA for Plant
Clearance now a part
of the RIGHT PRICE
ROI computation

- **Last month's data:**

- **Reutilized = \$9.7M**

- **Sales proceeds = \$204K**

- **Total reutilized + sales = 24%
of total property dispositioned**

- **Shifts focus to delivering cost
savings to contractor**

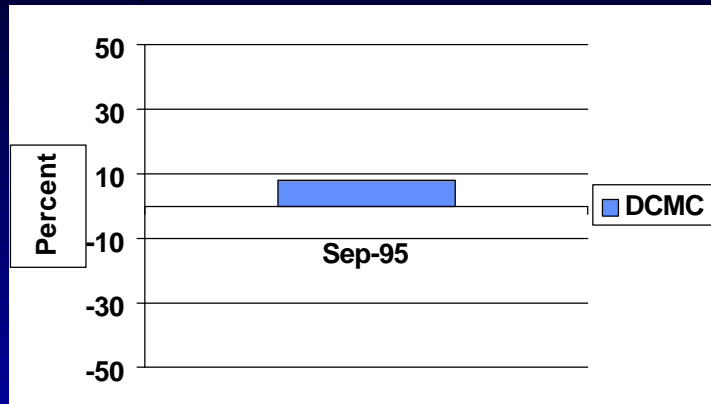
- **Consistent with FAR Plant
Clearance objectives**

- **Should result in increase % of
assets that are reutilized plus
sales proceeds**



Right Advice...

Property Administration



- New metric - compares total acq value of property added to gov't contractors' inventory against property deleted
- Goal: Reduce property provided to contractors

- Gov't property continues to increase
- \$90B and rising (\$70B to DoD)
- \$4.6B added last year
- \$3.7B deleted

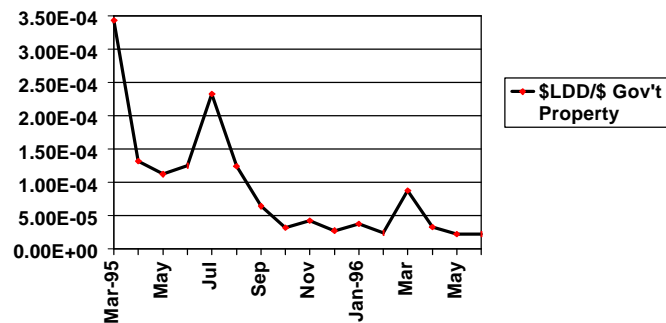
- Reduce amount of property
 - Early CAS
 - Customer Visits
 - More aggressive property analyses (challenge improper acquisition)



Right Advice...

Property LDD

LDD Government Property
(\$ Value LDD/\$ Value Gov't Property)



- Last month's data = \$1.8M
- LDD leveled off to \$1.5-2.0M per month during 3/4Q96

- Benchmark w/ industry std for LDD not practical

- LDD costs in industry vary widely by location, property type, type of business
- Run from \$.20 to \$.40 per \$100 of property
- LDD for Gov't run \$.02 to \$.08
- Insurance experts say difference is better protection for Gov't property

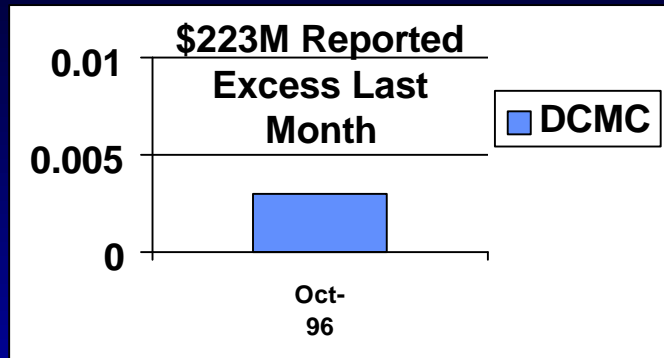
- Increased focus on Property Management should reduce LDD

- Exploring feasibility of commercial insurance practices for Gov't property



Right Advice...

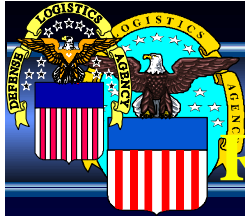
Excess Property



- **Audit/Reviews all show accumulation of unneeded gov't property at contractor plants**
- **Excess cost money - storage, management, space problems**

- **New metric compares acquisition value of excess gov't property with total gov't property**
- **Goal is to reduce amount of property by getting rid of excess**

- **Metrics drives property administration focus to ensure contractors dispose of excess**
- **More proactive utilization reviews during property analyses will increase reporting of excess**



Right Advice

Reduction in the Amount of DoD Property

<i>Process Drivers</i>	<i>Relative Impact on Top Level Metric</i>	<i>Relative Degree of Influence/Control</i>
Customer Decisions to Provide Property	10	1
Effectiveness of Property Administration		
• Utilization Reviews	3	4
• Acquisition Reviews	2	3



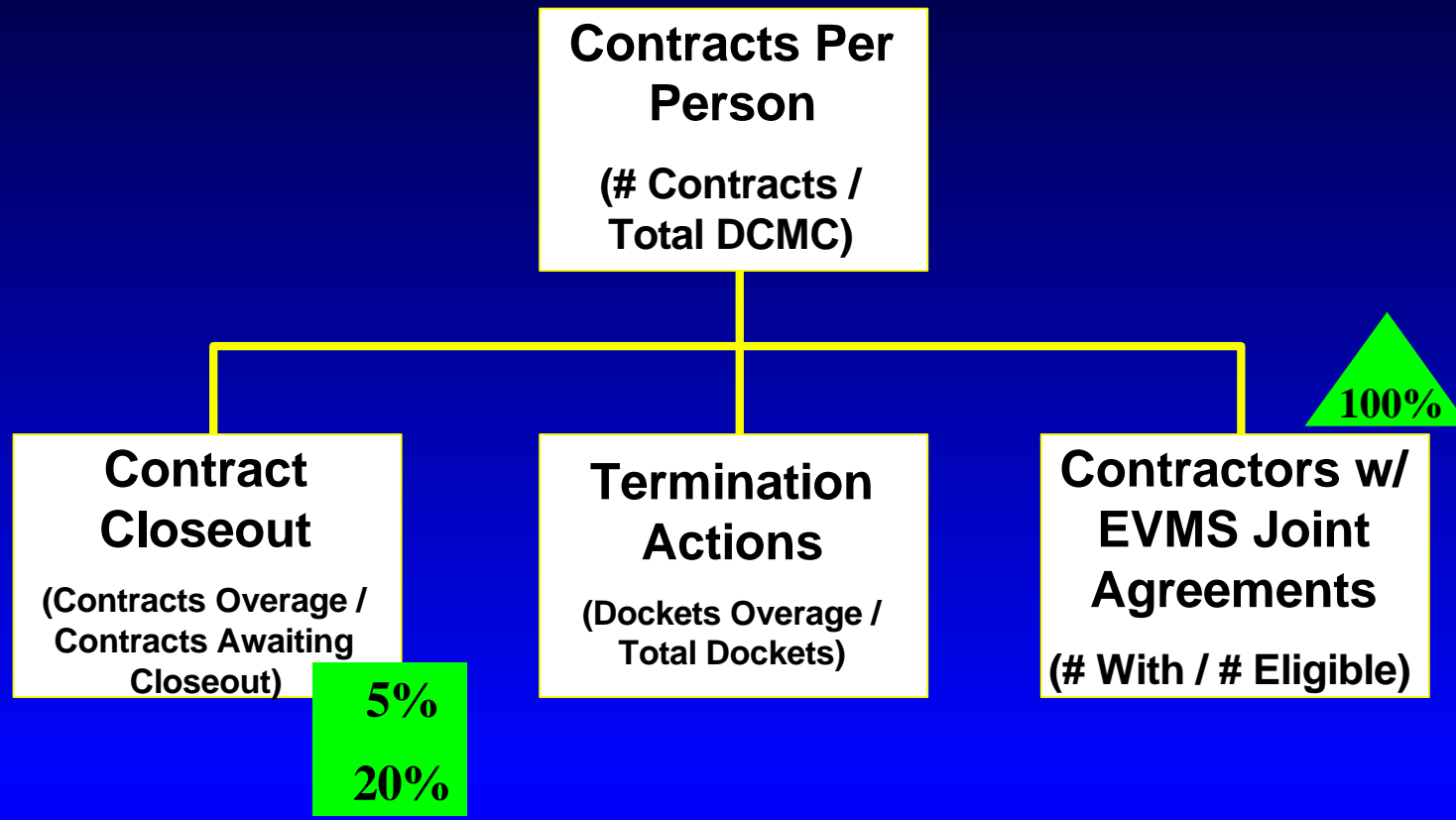
Right Advice

Percent of Property Reported Excess

<i>Process Drivers</i>	<i>Relative Impact on Top Level Metric</i>	<i>Relative Degree of Influence/Control</i>
Effectiveness of Contractors' Property Control Systems	10	5
Effectiveness of Utilization Reviews	5	10
Customer Disposal/Retention Decisions	2	1



Right Efficiency Are We Getting Affordable?





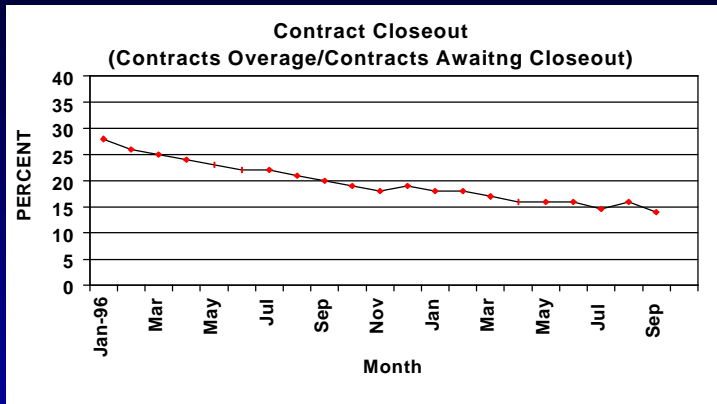
Right Efficiency Targets of Influence

- **Contractors**
 - **More self-oversight**
- **PMs/PCOs & IMs/PCOs**
 - **Acceptance of Risk Management on their program or contract**
- **Policy Making Activities**
 - **Regulatory changes to streamline post-delivery processes**



Right Efficiency...

Contract Closeout



- Trend still favorable for contracts w/o canceling funds (14%)
- Still over 5% target for those w/ canceling funds (7%)
- Processing AWR for change to MOCAS to allow data capture

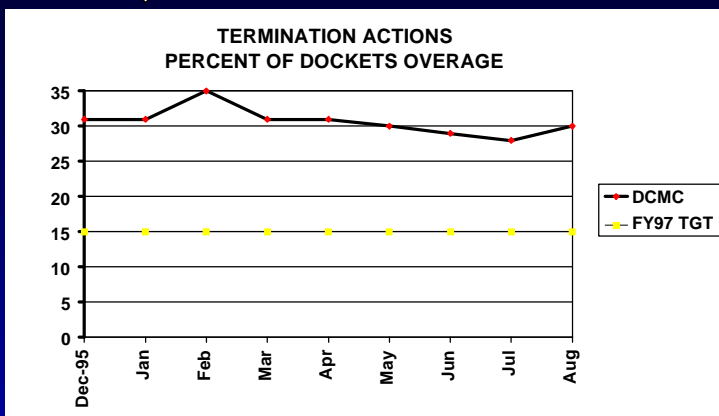
- Pacing CAOs over 20% goal:
 - Boeing Seattle
 - Lockheed Ft. Worth
 - Lockheed Sunnyvale
 - Rockwell Conoga Park
 - Northrup Grumman (nka)

- Need to identify systemic drivers for contracts w/ canceling funds
- All activities track through MOCAS



Right Efficiency...

Terminations



- DCMC average maintaining 28-30%

- Target 15%

- DCMDW highest

- Pacing CAOs

- Van Nuys
- Boston
- New York
- Santa Ana
- Dallas
- Atlanta

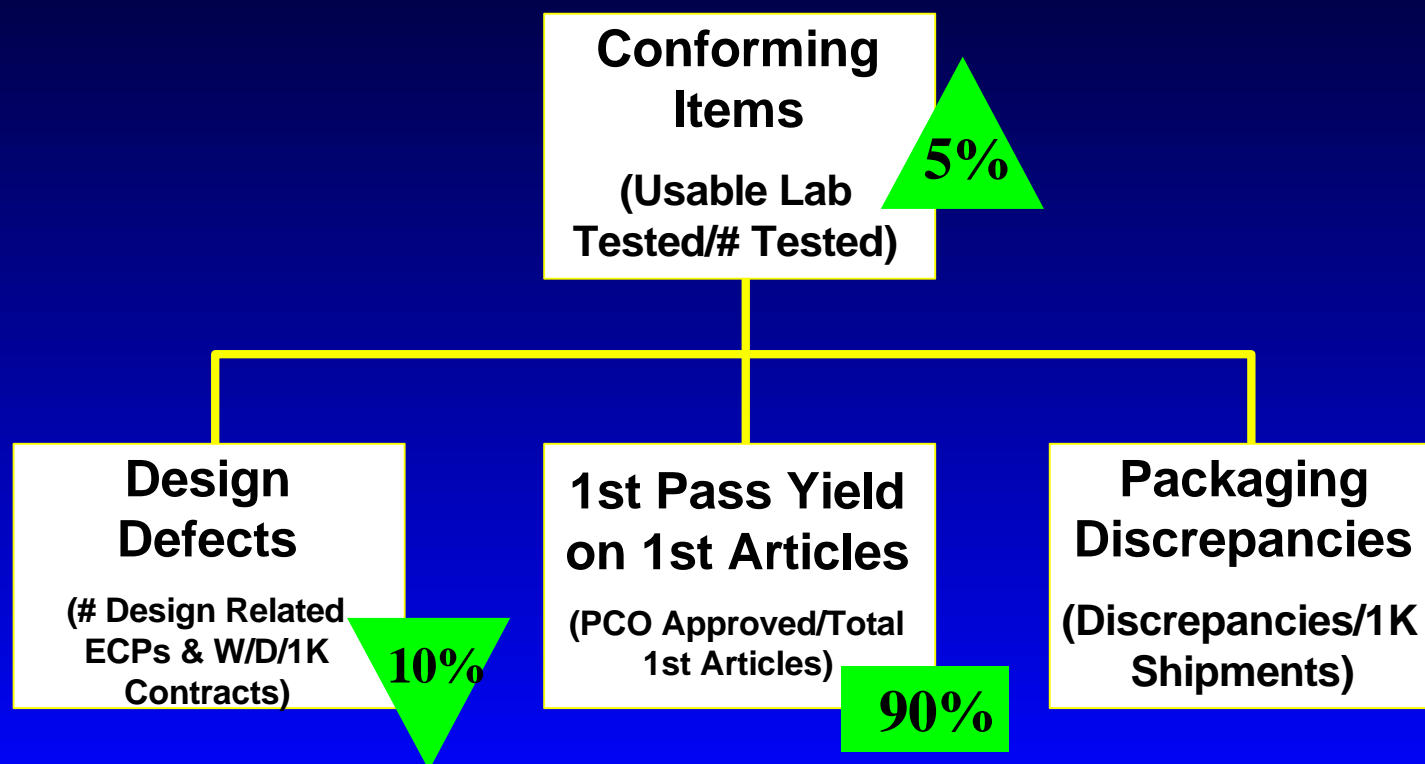
- Searching for better metric

- However, current performance not acceptable



Right Item

Does It Meet Contract Requirements?





Right Item Targets of Influence

➤ Contractors

- Make or do it right

Primary

➤ PMs/PCOs & IMs/PCOs

- Clear requirements definition
- Current, accurate data packages

➤ Policy Making Activities

- Make past quality performance a key factor in vendor selection policies

NOTIONAL

Lessons learned
to Improve the
Acquisition
Process -
Improve
Packaging of
DCMC Data



Right Item...

Conforming Items

69%

•Test Sites:

- DSCC
- DSCR
- Ogden ALC
- Watervliet Arsenal
- Data analysis on-going

•Test Data:

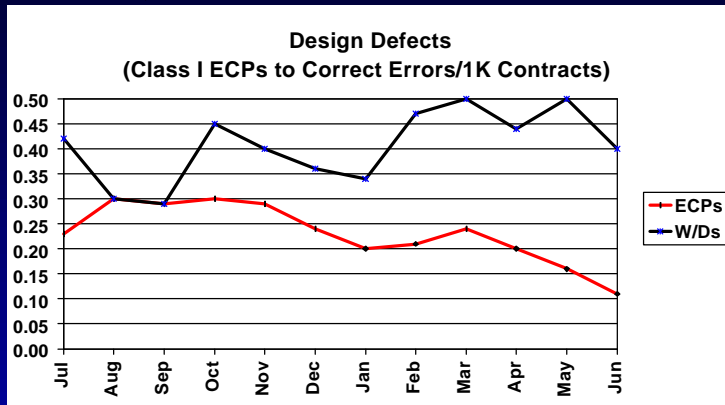
- May through Sep
- Contract years 94-96
- Initial data alarming!

•Identify lab sites

- Establish consistent data flow
- Automate data collection
- Focus up-front on characteristic selection process
- SFA prototype - Hands-On mentoring



Right Item... Design Defects



- No convincing trend for either ECPs or Waivers and Deviations but latest data may portend improvement

- Should meet target for '97

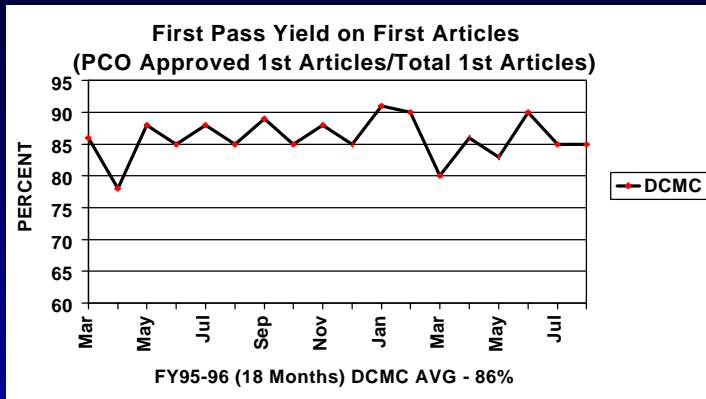
- 8 CAOs account for 51% of ECPs
- 10 CAOs account for 51% of W/Ds
- Programs generally drive CAO performance

- Identify what's driving programs
- What can we do to influence?
- Disseminate lessons learned throughout Command



Right Item...

First Pass Yield on First Articles



- DCMC average 86%
- Historical data for 18 months
- '97 goal = 90%
- Performance stable

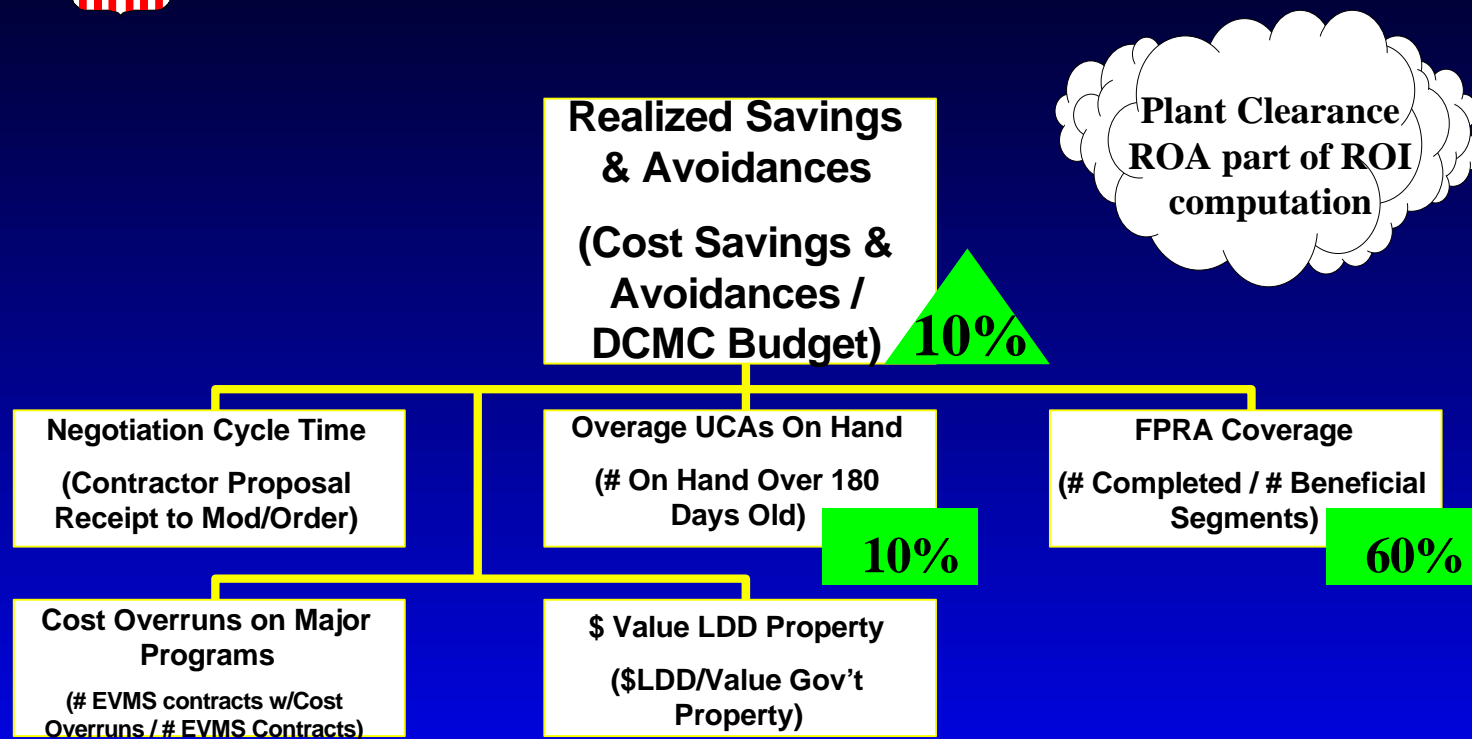
- Pacing CAOs identified
- Data skewed somewhat by misunderstanding of what constitutes an action - clarified
- Input being corrected - performance will improve when completed

- CAOs to:
 - Identify and analyze process drivers
 - Develop action plan
 - Implement same



Right Price

Do We Find Cost Savings & Avoidances?





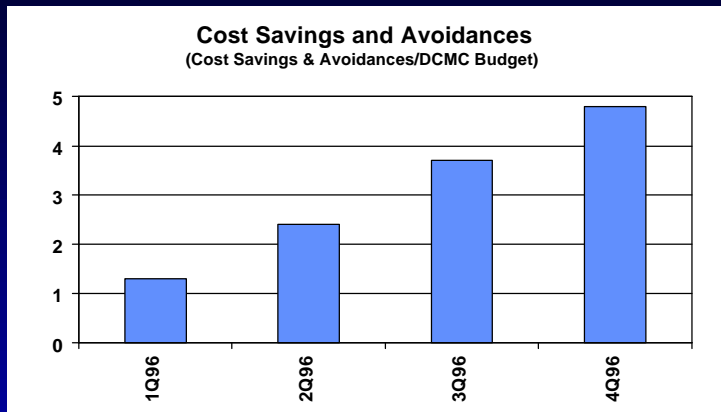
Right Price Targets of Influence

- Contractors**
 - Push PROCAS & process improvements**
- PMs/PCOs & IMs/PCOs**
 - Use IPT Pricing**
- Policy Making Activities**
 - Rules on UCAs**



Right Price...

Cost Savings & Avoidances



- Looks pretty good to meet or beat target for '97
- \$4.46B (+10% over '96) in savings/avoidances approximately

3 categories make up over 70% of all savings & avoidances

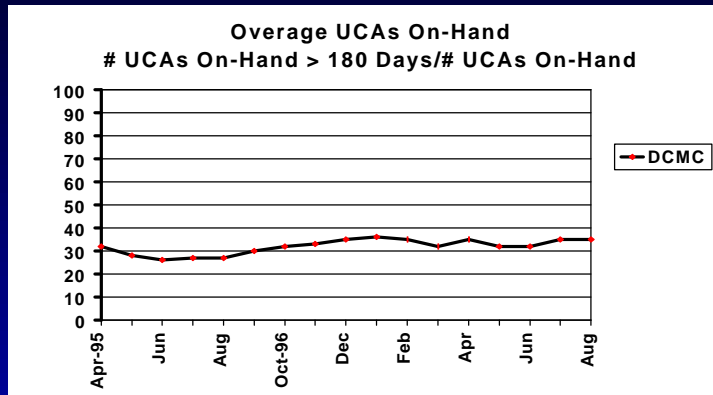
- Negotiations
- Corrective Action Requests
- Process Improvements

- Focus on process
- Vigilance is the key
- Proactive all the time



Right Price...

Overage UCAs On-Hand



- Performance is stagnant
- CAOs will have to change their processes to meet the 10% overage goal

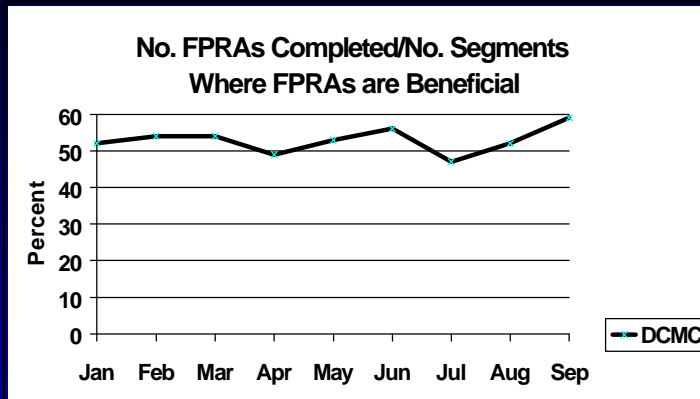
- Need to objectively identify the process drivers (no anecdotes) and fix them
- District process reviews just starting - will finish in Feb 97

- Moving to overage UCA \$ On-Hand
- Policy memo 96-46, 5 Sep 96
 - Work overage > \$500K
 - Bundle small \$



Right Price...

FPRAs



- '97 target = 60%
- Dictated by number and value of pricing actions
- Need to be timely

- Obstacles to overcome
 - No regulatory requirements
 - Mergers & Acquisitions
 - Business base volatility
 - Accounting changes

- Continuous updates and tailored FPRAs are alternatives
- If FPRA beyond reach, provide quality FPRR
- Overhead Center to assist



Right Price - LDD

Property Administration

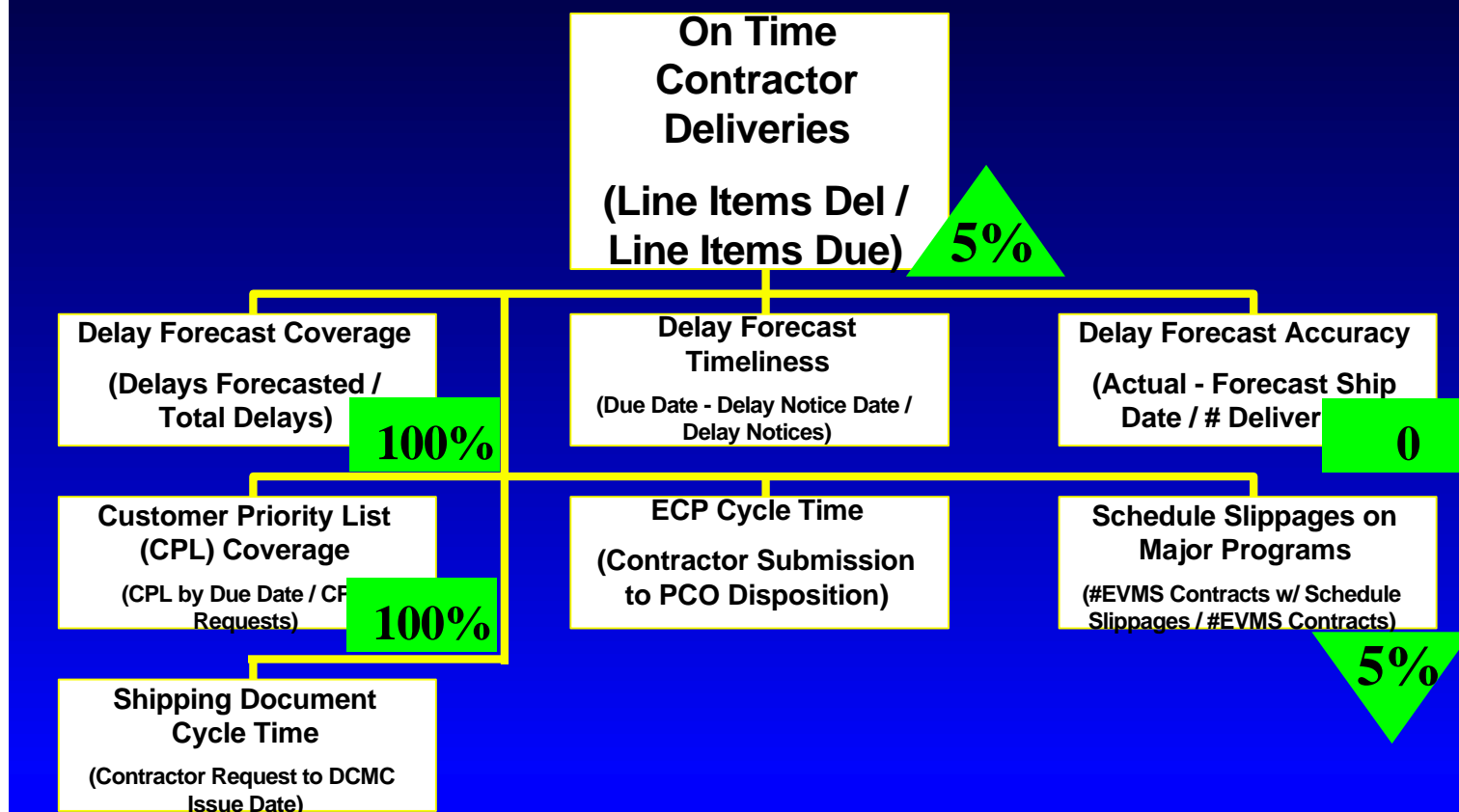
GOAL: Ensure
control of existing
property needed for
contract performance

- **Percent of total property (acquisition value) lost damaged or destroyed**



Right Time

Is It Delivered On Time?





Right Time Targets of Influence

- **Contractors**
 - **Deliver on time**
- **PMs/PCOs & IMs/PCOs**
 - **To Specify Realistic Schedules**
 - **To Contract with Quality Producers**
- **Policy Making Activities**
 - **Make past delivery performance a dominant factor in vendor selection policies**



Right Time...

On Time Delivery

- Data based on original due date will be available Jan 97

- Historical delinquency rate too high - 18-23% (mod and non-mod contracts)

- Feedback from customers - they're not satisfied

**DoD
Enterprise Metric**

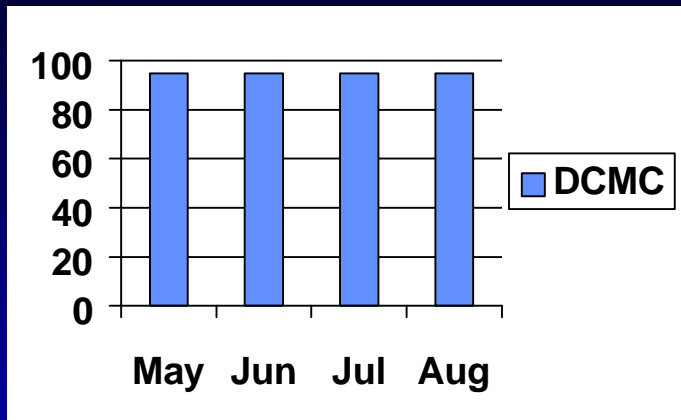
- Get surveillance process under control

- Focus up-front on critical processes

- Deploy ALERTS



Customer Priority List (CPL)



- Preliminary data shows high level (mid 90%) of timeliness for CPL responses

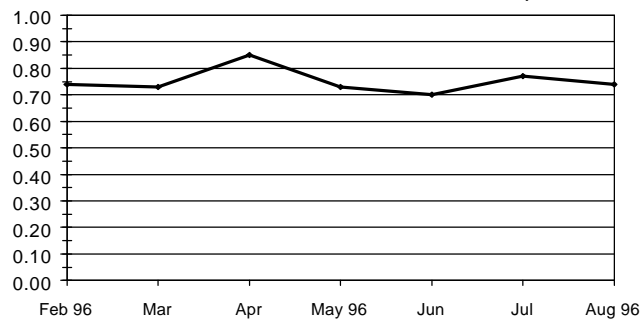
- Liaison feedback - High customer satisfaction with timeliness - some problems with quality of responses
- Increased levels of customer participation

- Automate process - ALERTS
- Track timeliness and quality of responses
- Working with Liaisons to provide CPL monitors list to all buying activities



Right Time... On Time Technical Assessments

(TAs on Class I ECPs and Critical/Major Waivers and
Deviations Provided on Time/TAs Provided)



New metric for FY97

- FY97 goal: 100% On Time
- Current average is 75% but not whole picture (reporting base)

- Feb to Jul 96: 1433 dispositioned by PCO
 - If truly not dispositioned % on time is higher
- DCMDE and DCMDW sent letters asking CAOs to follow-up

- Identify driving CAOs
- Release ACTS v. 3 - Metrics Training
- Gather and disseminate driving CAO lessons learned
- Identify other driver metrics